



## STATE OF WISCONSIN

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Dated January 6, 2003

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*Department of Revenue  
Quarterly Economic Report & Revenue Estimates  
November 20, 2002*

The document includes revenue estimates for State of Wisconsin general purpose tax revenues for the current fiscal year and the next biennium.

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July 1, 2003 through June 30, 2004

July 1, 2004 through June 30, 2005

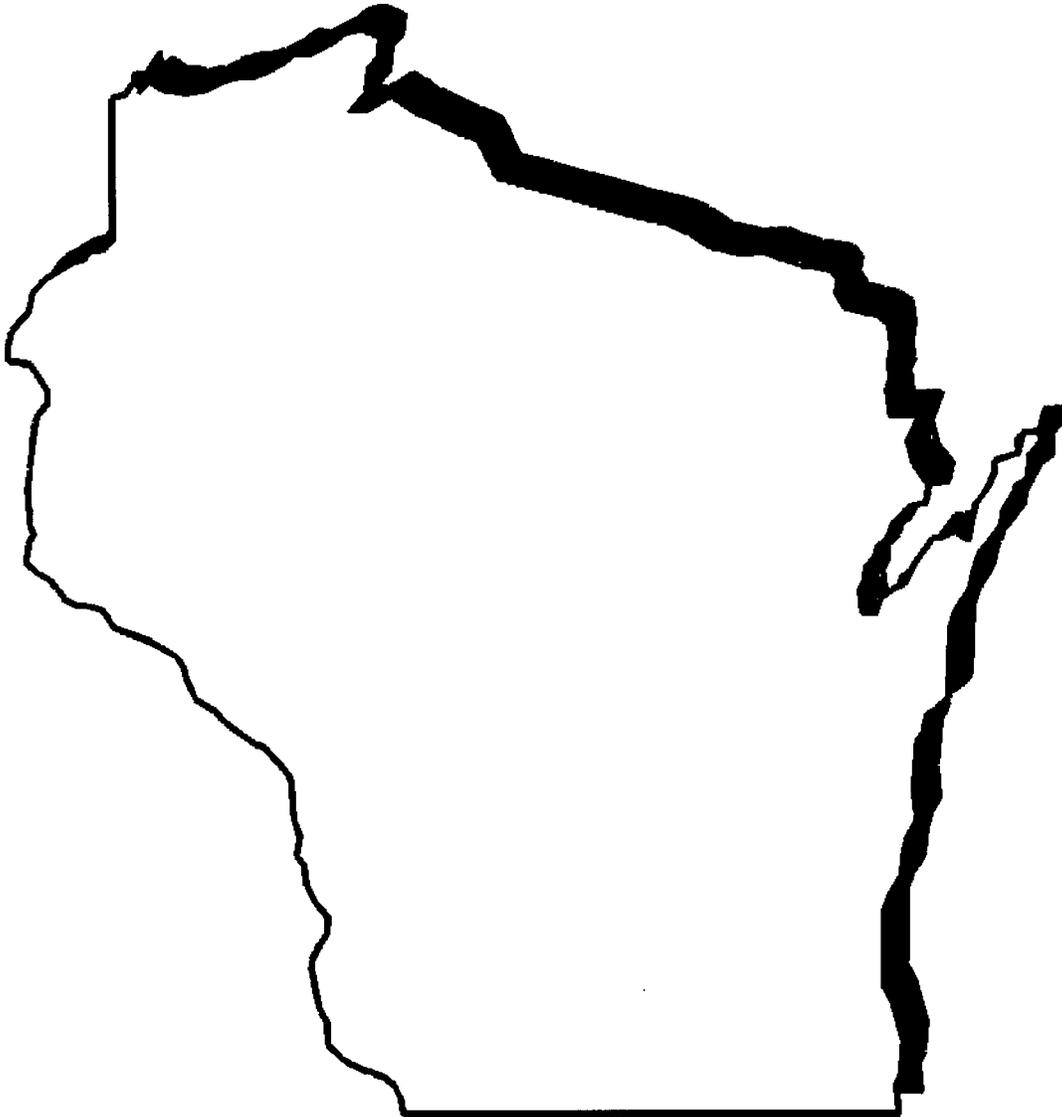
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# WISCONSIN ECONOMIC OUTLOOK



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This is a regularly scheduled quarterly economic outlook released by the Wisconsin Department of Revenue. The Division of Research and Policy, Wisconsin Department of Revenue prepared the Wisconsin forecast. The national forecast was prepared by Global Insight on November 8, 2002. The forecast does not incorporate data released subsequent to that date.

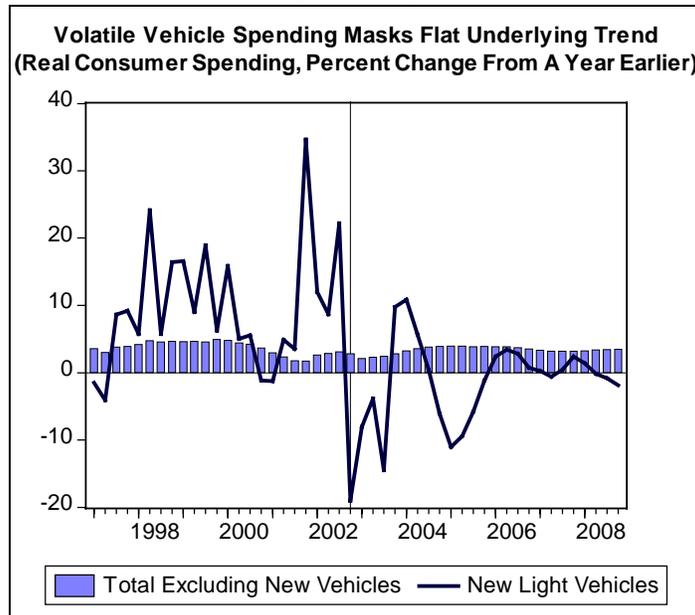
# I. ECONOMIC OUTLOOK

## U. S. OUTLOOK

Third-quarter real GDP growth came in at 3.1%, below expectations in the range of 3.5 – 4.0%. Consumers, with a little help from federal government spending, get the credit for the growth that occurred. Investment contributed nothing to GDP growth; trade was a small drag. Consumers have done the heavy lifting throughout the last eighteen months, keeping the economy afloat. In 2001, while real GDP was languishing at 0.3% growth, consumer spending increased 2.5%. This year, a consumer spending increase of 2.9% will underpin total growth of 2.3%. Consumers are now poised to take a brief time out while they wait for job prospects to improve, and the stock market to rally convincingly.

Trends in consumer spending are especially difficult to observe beneath the quarter-to-quarter volatility created by the swings in light vehicle purchases. The third and fourth quarters are a prime example of this volatility (see Chart I.1) with spending up at a 4.2% annual rate over the summer and an expected fall at a 1.4% rate this autumn. Consumer spending exclusive of vehicle sales is not expected to fall, but growth will likely be anemic until mid-2003, when job prospects should brighten.

CHART I.1



### Recent Evidence

The employment outlook has yet to brighten. The private sector, on net, lost jobs again in both September and October, although increases in government employment offset much of the loss. October also saw the unemployment rate move back up to 5.7%, and further increases are anticipated as labor-force growth accelerates. Average weekly hours also contracted. Average hourly wages increased, but not by enough to offset the drop in total hours, implying a slip in October wage income.

The October report on manufacturing activity from the Institute of Supply Management showed a second month of no expansion in activity. New orders remained marginally positive, but backlogs continued to shrink along with employment. On the positive side, export orders remained above 50, where they have held all year. (Readings above 50 indicate expansion, while readings below 50 indicate contraction.)

Unit light-vehicle sales dropped to a 15.5 million annual rate in September. Apart from car sales, consumer spending rose briskly early this year, but is now showing signs of falling victim to the drop in consumer confidence, resumption in layoff announcements, and slow wage and salary increases. Total compensation increased at only a 2.5% annual rate in the third quarter, and the part that workers see—wages and salaries—increased at a meager 1.5% annual rate. Benefit costs increased at a 4.0% rate, the lowest since health-care costs began to skyrocket in 1999. Fringe benefit costs are still rising rapidly, but businesses are holding down costs by increasing co-pays and employee contributions.

Other consumer spending is also weakening. Since mid-summer, year-over-year increases in the weekly index of chain store sales has narrowed from 4.0% to 2.5-3.0%. The steady rise in spending on services is being dampened by cutbacks in travel and travel-related spending, as well as in the use of financial services.

Single-family housing starts surged to 1.477 million units (annual rate) in September, a record high, as builders rushed to catch up with the boom in new home sales. Nonresidential construction is a different story. As existing projects come to completion, few new ones take their places. Commercial construction is on hold until the offices emptied out by collapsing high-tech companies are re-occupied, and the industrial slowdown has put construction in that sector on hold. Meanwhile, educational and hospital construction continues apace. Public construction is leveling off, although school construction is still going strong.

### **KEY FORECAST ASSUMPTIONS**

The current forecast assumes that the Federal Reserve will not begin tightening until early next summer. The dollar is assumed to decline another 8% over the next two years, then slide gradually thereafter as other countries become more open to foreign investment.

Oil prices will peak in the current quarter at \$28.00 per barrel (West Texas Intermediate, quarterly average), then decline gradually to \$24.50 in mid-2004, when demand begins to gain on supply. Real oil prices will fall back to \$21.00 per barrel.

Real federal purchases are assumed to rise 7.0% in calendar 2002, 6.2% in 2003, and 2.0% in 2004, before dropping back to around 1.0% growth. Fiscal policy will not fundamentally change because of the return to majority status of the Republicans in the Senate.

The forecast continues to assume that there will be a prescription drug benefit by mid-decade and that last year's tax cuts will be continued beyond 2010.

### **FORECAST DETAIL**

#### **U.S. Summary**

The recovery has been better than commonly perceived or written about. Real GDP has increased 3.0% over the past four quarters, a respectable rate by any standard. The bad news, however, is that the economy's rate of growth is expected to ease up over the next few months. Wage gains are minuscule and consumers are turning cautious. Equipment spending is starting to show signs of life, but the construction pipeline is emptying out. The past year's growth came entirely from increases in productivity, as businesses sought to improve profitability. In the long term, this is a strong plus for the economy. In the short term, it means fewer jobs, less income, and lackluster demand.

**Income, Spending, and Employment**

Personal income has been growing at a 4.5% annual rate over the first three quarters of 2002. For the year as a whole, personal income is expected to increase by 3%. Personal income growth will pick up in 2003 to 4.2%, followed by growth of 5.9% in 2004.

Payroll employment declined for the first two quarters of 2002, and eked out a small gain of 0.5% in the third quarter. On a year-over-year basis, payroll employment was still 0.8% below the third-quarter 2001 level. Employment is expected to average -0.8% growth from 2001, and a small positive growth of 0.9% in 2003.

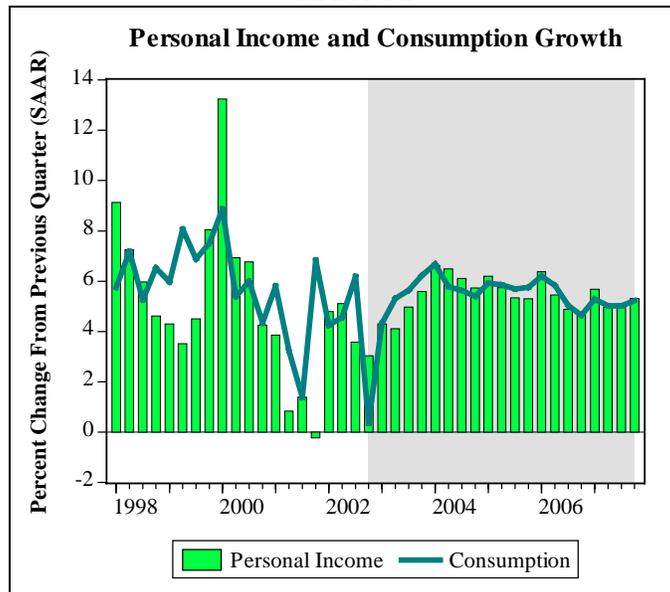
A unique feature of the 2001 recession was the strong performance of consumer spending. Even with the stock market imploding, real consumption grew at a 4.2% annual rate this summer. But consumer confidence has been slipping of late. The University of Michigan's index of consumer sentiment fell from 86.1 in September to 80.6 in October. The October decline was the fifth consecutive monthly decline. Real consumer spending is projected to decline at an annual rate of 1.4% in the fourth quarter this year, led by sharp drops in light vehicle sales. Sparked by 0% financing and cash rebates, sales of cars and light trucks soared to annualized rates of 18.1 million units in July and 18.7 million units in August, as dealers cleared out inventories of 2002 models. As expected, the party ended in September, and the hangover has extended into October. Light vehicle sales retreated to a rate of just 16.3 million units in September, and fell to a 15.4 million rate in October. Light vehicle sales are expected to remain at the 15.6 to 15.8 million unit level for both of the next two quarters.

Consumption of nondurables and services is also expected to weaken in the coming months. Nondurable goods consumption is expected to slide to zero growth in the fourth quarter, and consumption of services will decelerate to 2.1%.

Total inflation adjusted consumption for this year is expected to grow by 2.9%, only slightly better than the 2.5% growth in 2001. Real consumption is expected to advance by a weak 2.2% in 2003 before resuming growth of 3.6% in 2004 and 2005.

Growth in personal income and spending for the period 1998 to 2007 is shown in Chart I.2

CHART I.2

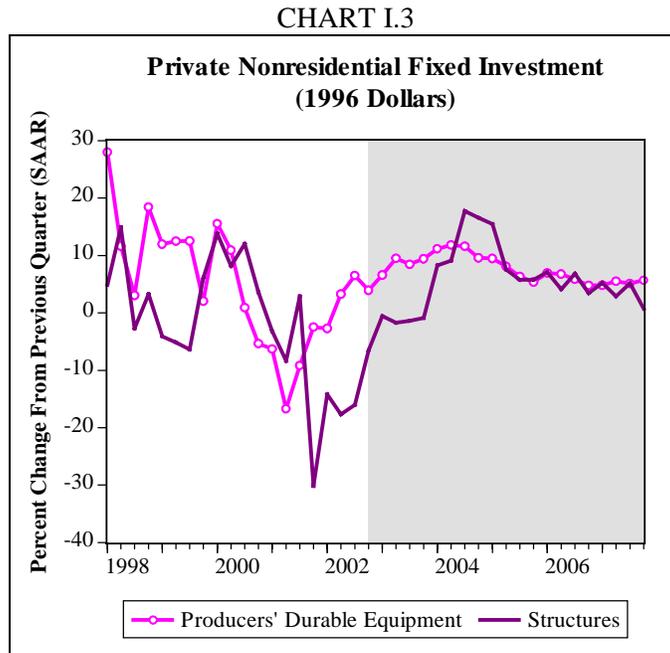


**Business Investment**

Spending on equipment and software is reviving on the strength of computers and software, while other categories such as transportation, industrial and telecommunications equipment remain weak. Nonresidential construction is expected to slide until the middle of 2003. Residential construction will end this year with a surge, then drop off as housing starts lag. The summer slippage in average and median prices for existing homes suggests that the high end of the market, where builders like to operate, is beginning to falter. Underlying demand remains strong, however, so activity is expected to pick up again late next year.

Real private nonresidential fixed investment is expected to decline by 5.6% this year following a drop of 5.2% in 2001. A turnaround is expected in 2003, when investment growth will be 3.9%. Equipment and software will lead the charge by jumping to a 6.8% gain over 2002, and growing 10.5% in 2004. Investment in industrial equipment is also expected to turn around in 2003, increasing by 3.6%, followed by stronger growth of 9.3% in 2004. Structures will continue to retract, declining by 5.3% in 2003 following a large decline of 15.6% this year.

Growth in business fixed investment is shown in Chart I.3.



Inventories are at their lowest level relative to GDP since the late 1960s. Since peaking at 15.3% of GDP in late 2000, the ratio of nonfarm inventories to GDP has fallen a full percentage point. The projected \$61 billion increase in inventories for 2004 will not keep the ratio from slipping slightly more.

**Government Spending**

Federal spending is soaring, mostly for defense and homeland security. The recession and slow recovery are also contributing to increases, however. Nearly every function is up by more than 10%. The only important exceptions are Medicare, Social Security, and interest on the national debt. Falling interest rates have pared over \$30 billion from debt service costs in the 2002 fiscal year.

## **ECONOMIC OUTLOOK - U.S.**

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One of this year's federal budget busters has been Medicaid, up 13% through the first 11 months of the fiscal year. The recession and weak recovery have increased demand for Medicaid services just as states are seeing their revenues erode. States currently spend about \$1.70 on health care for the poor for every \$1.00 received in Medicaid grants, down from a longer-term average of \$1.725.

Real spending on federal government purchases (exclusive of transfers and grants) is expected to rise 6.2% in 2003, after a 7.0% increase in 2002. State and local governments, however, are projected to increase their purchasing in 2003 by only 0.4%, after adjusting for inflation.

The federal government deficit, measured on a unified budget basis, is expected to reach \$306 billion for the fiscal year just started.

### **International Trade and the Dollar**

The trade sector should make a small positive contribution to growth over the next few quarters, as slower consumer spending in general, and on vehicles in particular, dampen the demand for imports. Exports, aided by a slightly lower dollar, are continuing to rise slowly.

Exports for the year, adjusted for inflation, should still be down from 2001 by 1.3%, while imports are expected to be up by 3.3%. With a declining dollar, growth in exports is expected to exceed growth in imports for the year 2003 to 2007, taking some pressure off the balance of trade deficit.

The dollar's value is expected to slide by 4.8% next year against the weighted average of the currencies of industrial countries. The dollar is expected to fall by about 15% over the next five years.

### **Inflation and Productivity**

Inflation remains well-contained. Outside of food and energy, producer prices for finished goods have been rising at less than 0.5% per year. Core consumer prices are rising a bit faster because of the heavy weighting of services, but even in services, inflation is running at just 2.0-2.5% per year. Inflation may be approaching a floor, however, because the lower dollar is beginning to show up in higher prices for imports.

Consumer prices as measured by the CPI are expected to show modest inflation of slightly above 2% for the next few years.

Nonfarm productivity shot up in the third quarter, growing 4.0%, a figure that almost guarantees that productivity growth in 2002 will post its best numbers in half a century. It is the growth in productivity, however, that has enabled the economy to grow without job growth. Productivity growth this year is expected to be 4.9%, higher than the expected growth of real GDP of 2.3%.

After the recovery is better established in 2003 and beyond, growth in productivity is expected to remain healthy, but more modest, averaging 2.2% per year from 2003 to 2008.

## **RISKS TO THE FORECAST**

The baseline forecast assumes that the U.S. recovery proceeds somewhat erratically, but without stumbling. As the push from consumer spending and the housing market abates, investment gradually picks up. Oil prices retreat early next year as the war with Iraq is either won or indefinitely postponed. The dollar falls from its highs, but remains very strong, as investors take a gradual approach to moving funds away from the United States. This caution allows the United States to continue running a large current account deficit.

### **An Early End to the Malaise**

A better outcome is possible. A few good profit numbers from key companies could turn investor sentiment around and persuade businesses to accelerate investment, particularly in productivity-improving equipment and software. The result would be a more typical recovery, with growth in the 4-5% range.

The optimistic scenario assumes better news from several sources. Rest-of-the-world growth is 0.5 percentage point higher in 2003. The rebound in capital expenditures is stronger than the baseline. Consumer sentiment is also more confident, resulting in stronger consumer spending. Fiscal spending is more expansionary, and there are also cuts in corporate taxes.

As a result, the economy springs back to life in 2003, posting four straight quarters of over 4% growth, and growing 3.4 % for the year, compared with 2.6% in the baseline. The early recovery in business investment, combined with the corporate tax cuts, also raises potential GDP over the forecast interval. As a result, GDP is \$60 billion higher than the baseline in 2007, and about \$100 billion higher in 2012.

Since consumer confidence is currently at low levels, the stock market is meandering, and the business climate is uncertain, the optimistic scenario has been assigned a 15% probability.

### **Double-Dip Recession**

A more widespread concern is that sluggish investment and hiring, together with financial stress in the consumer sector, could result in the feared "double-dip" return to recession.

The pessimistic scenario recognizes the effect that weak profits have on business behavior. In an effort to improve the bottom line despite lagging revenues, businesses are likely to delay investment and postpone hiring to an even greater extent than in the baseline.

Consumer spending is also at risk. Household budgets are stretched thinner than ever, and credit problems are on the rise. The housing market also shows signs of cooling off. Average prices are slipping and sales are taking longer. The pessimistic alternative assumes that the housing bubble bursts and consumer spending succumbs to the new reality of low pay raises and falling interest income.

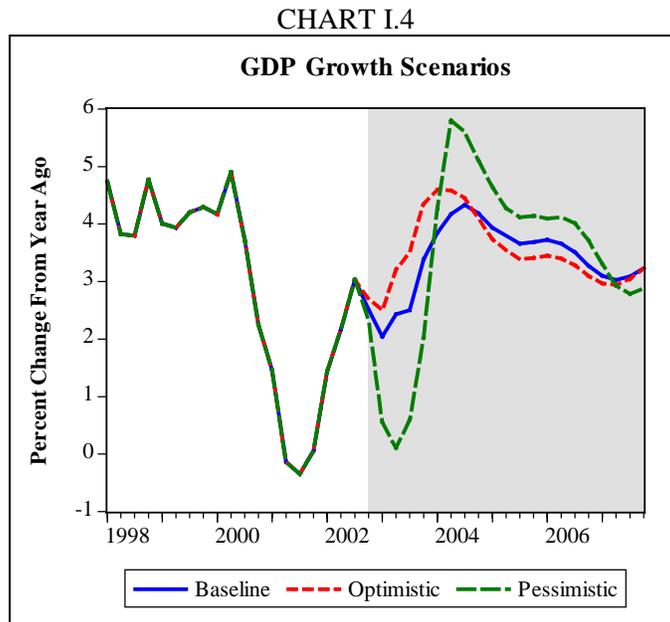
Since homeowners are slow to accept that prices must fall, housing market activity slows dramatically and builders cut back on new construction. The bursting of the housing bubble weighs on consumer confidence, curtailing spending on renovations and improvements.

Consumer confidence suffers another blow when the U.S. military invades Iraq in early January. Unsure of what lies ahead, both businesses and households put spending decisions on hold. The stock market turns back down as earnings forecasts are revised lower.

With only the federal government increasing spending in early 2003, real GDP falls at a 2.1% rate, beginning the second phase of the double-dip.

By late spring the Iraq war is over, but the unemployment rate is still rising and peaks in the summer at nearly 7%. The Federal Reserve keeps interest rates level until December. In 2004, both consumers and businesses make up for delayed spending. Vehicle sales surge to an 18 million rate, and spending on equipment and software leaps 13%. Manufacturing activity gets a double boost, first from the pickup in demand and then from the need to rebuild inventories. By 2005 the unemployment rate is back down to 5%.

Chart I.4 shows the growth of real GDP for the baseline forecast and the alternative scenarios.



A summary of the U. S. forecast is contained in Appendix 1.

## WISCONSIN OUTLOOK

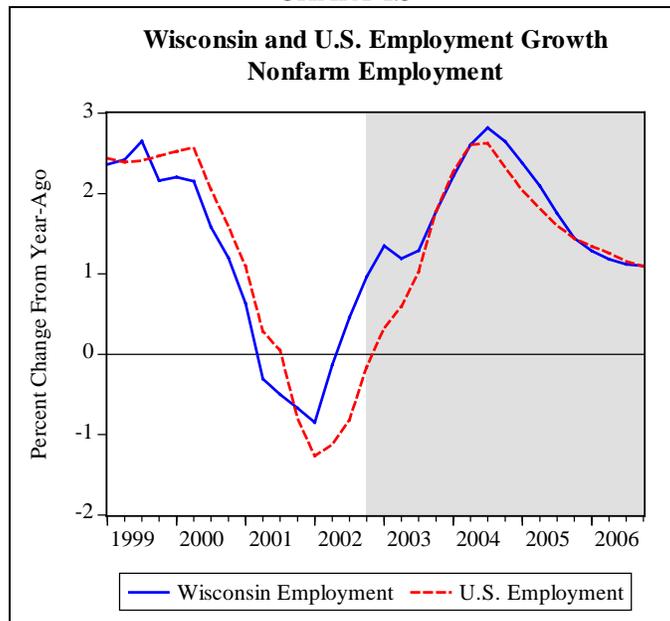
The current forecast calls for modest economic expansion and employment growth over the next year. This relatively slow economic recovery is due, in part, to weak labor markets, slowing consumer spending and a lack of vigor in the business sector. In addition, geopolitical risks, weak equity markets, and the fallout from corporate malfeasance also put a considerable weight on the economy. The current forecast calls for a slow recovery, but no "double dip" recession (partial recovery followed by another decline and subsequent recovery).

According to the forecast total employment in Wisconsin is expected to grow by 1.4% in 2003, and personal income will grow by 3.9%, or by 1.8% after adjusting for inflation. By 2007, Wisconsin's nonfarm employment is expected to increase by 238.1 thousand over 2002 levels to 3.1 million. During the same period, Wisconsin's personal income is also expected to increase by \$43.9 billion to \$207.5 billion. Between 2002 and 2007, Wisconsin nonfarm employment and personal income are expected to increase at an average annual rate of 1.7% per year and by 5.0% per year, respectively.

### Recent Evidence

The Wisconsin economy is slowly emerging from the 2001 recession. Total non-farm employment increased in the third quarter at an annual rate of 1.5%, after increasing at a 1.7% annual rate during the second quarter. Also, in the third quarter manufacturing employment posted modest gains. This was the first time since the second quarter of 2000 that manufacturing employment recorded growth. In the third quarter, employment in durable manufacturing increased at a 0.8% annual rate, and in nondurable manufacturing at a 1.7% annual rate. As the current employment data shows, Wisconsin's economy entered the 2001 recession before the U.S., and began to recover earlier than the rest of the country (see Chart I.5).

CHART I.5



Growth of non-farm employment in Wisconsin continued in October 2002. On a seasonally adjusted basis, employment increased by 4,600, from 2,835.6 thousand in September to 2,840.2 thousand in October. Manufacturing employment remained unchanged in October at a level of 570.2 thousand jobs.

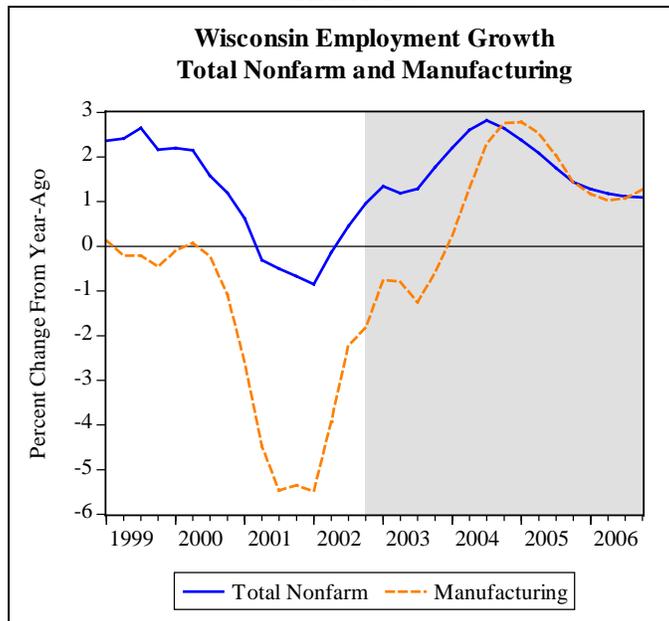
Wisconsin total personal income increased at a 5.3% annual rate during the second quarter after increasing at a 6.0% annual rate in the first. According to the October 2002 BEA revisions of personal income, personal income in Wisconsin was revised up by 1.6% for 2001. This increase was a result of an upward revision in property income, which was revised up by \$1.5 billion or 1.6% and an increase in other labor income, which was revised up by \$0.4 billion or 4.2%.

**Employment Outlook**

Despite a continuing slow recovery in the nation, characterized by no growth in employment thus far, Wisconsin non-farm employment is increasing. Compared to the third quarter of 2001, Wisconsin's non-farm employment increased by 0.5%. Continuing geopolitical risks and uncertainties, a low capacity utilization rate, and a corresponding lack of new business investment, all point toward a modest recovery. Wisconsin non-farm employment for 2002 is now expected to average 2,830.4 up 0.1% from the average for 2001. The employment gain for 2003 is expected to be 1.4%.

The unemployment rate in Wisconsin was 4.9% in October 2002. The unemployment rate is expected to increase over the near term, as job creation will not be large enough to offset labor force growth. The Wisconsin unemployment rate is expected to peak during the second quarter of 2003, at 5.7%, compared to the U.S. unemployment rate peaking during the same year at 6.0%. The average annual rate of growth for total non-farm employment over the next five years, from 2002 to 2007, is expected to be 1.7% in Wisconsin, compared to 1.6% for the U.S. over the same period.

CHART I.6



The outlook for manufacturing employment is for continued short-term weakness. The number of jobs in manufacturing is expected to decline, with employment in durable goods declining 4.6% and non-durable goods declining 1.5% in 2002. Next year, durable goods manufacturing jobs are likely to continue declining,

but at a lower rate of -1.8%. However, employment in nondurable manufacturing is expected to increase by 0.6%. Beginning in 2004, both durable and non-durable manufacturing are expected to enter a period of continuing employment growth. Employment in durable manufacturing is projected to increase by 2.0% and in nondurable manufacturing by 1.2%, in 2004

The recent history and growth prospects for both total employment and manufacturing employment are shown in Chart I.6.

In industries other than manufacturing, the prospects for employment growth are best in finance, insurance, real estate, and in the broadly defined service sector. Service sector jobs are expected to grow by 2.4% this year and by 3.4% in 2003. Finance jobs are projected to grow by 2.0% this year followed by growth of 3.1% in 2003.

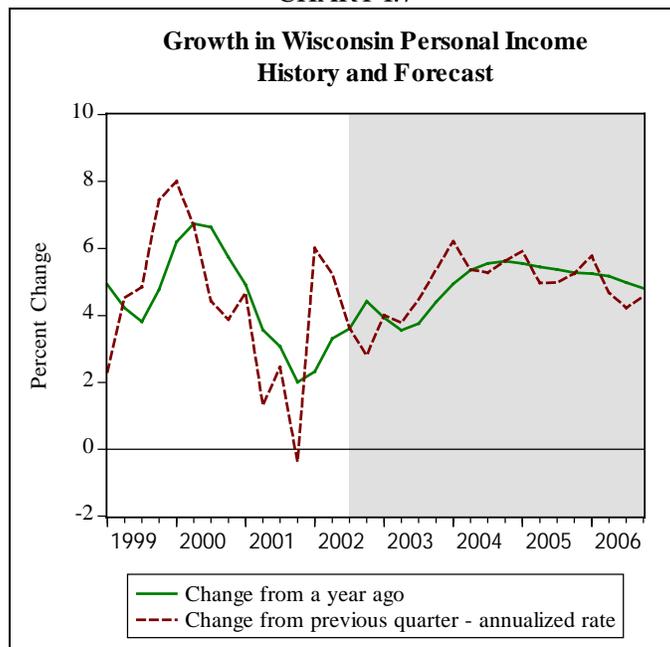
Other non-manufacturing industries will exhibit either very slow job growth this year or further declines. The transportation and utilities industry group, which includes the troubled telecom sector, is expected to suffer a decline in jobs of 2.0% this year, but then recover to a growth of 2.6% in 2003. Trade industries, both wholesale and retail, have little prospect of rapid job growth this year as the employment growth forecast for these industries shows a job loss of - 0.2% for wholesale and slight growth of 0.5% for retail employment. Retail jobs are projected to remain weak in 2003, increasing by 1.0%. Construction jobs are also expected to post a second year of slow growth after increasing 0.7% in 2002, followed by growth of 0.9% in 2003, in response to a cooling housing market and cutbacks in nonresidential construction.

Details of the Wisconsin employment outlook can be found in Appendices 2, 3, 4 and 5.

**Income Outlook**

Wisconsin total personal income, based on the strength of a 5.2% gain in wages and salaries, increased at a 5.3% annual rate in the second quarter, slightly less than the first quarter's growth of 6.0%. Also, strong growth was recorded in other labor income, which increased by 11.0% during the second quarter of this year. Other labor income is a category of income that contains fringe benefits, including employer's contributions to employee health plans. The premiums for employee health plans have recently been increasing quite rapidly.

CHART I.7

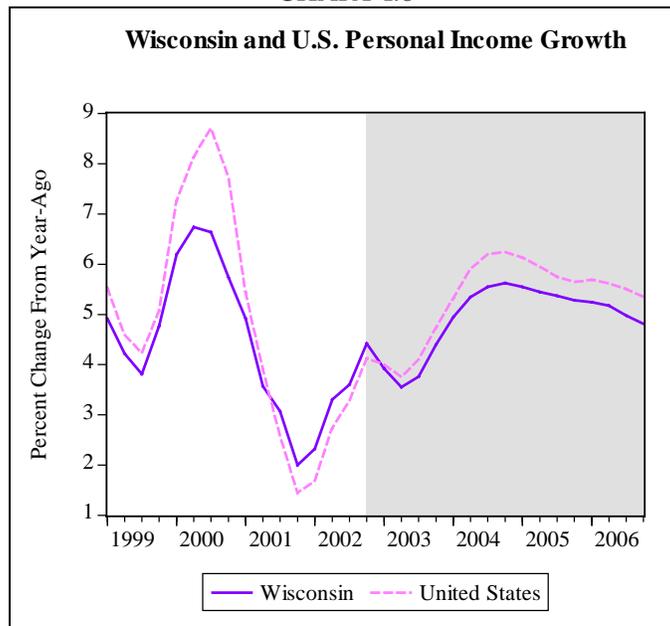


Personal income is expected to show a decline from the strong second quarter growth to an annualized gain of 3.6% in the third, mostly as a result of the reduction in the growth rate of wages and salaries. Growth in wages and salaries is expected to be a mere 0.9% in the third quarter, compared to 5.2% in the second, reflecting an overall slowdown in hourly earnings and a decline in weekly hours. The history and forecast of Wisconsin personal income are shown in Chart I.7. Growth of personal income for all of 2002 will most likely be 3.4%. Income growth is expected to accelerate to 3.9% next year, mostly as a result of increases in wages and salaries (3.9%) and proprietors' income (7.8%).

Personal interest income, the largest component of personal income after wages and salaries, is not expected to accelerate over the near future, as interest rates are not likely to increase until the middle of the next year. Interest income is expected to decline slightly by 0.1% in 2003. Increasing interest rates in 2004 are expected to increase personal interest income by 5.5%.

During the forecast period, Wisconsin personal income is expected to grow at a slower rate than U. S. personal income (see Chart I.8). In 2003, Wisconsin personal income is expected to increase by 3.9% compared to the 4.2% increase projected for the U. S.

CHART I.8



Details of the Wisconsin income outlook can be found in Appendices 6 and 7.

APPENDICES

Appendix 1: U. S. Economic Forecast

Appendix 2: Wisconsin Employment Forecast: Industry Detail (Annual)

Appendix 3: Wisconsin Employment Forecast: Industry Detail (Quarterly)

Appendix 4: Wisconsin Manufacturing Employment Forecast: Industry Detail (Annual)

Appendix 5: Wisconsin Manufacturing Employment Forecast: Industry Detail (Quarterly)

Appendix 6: Wisconsin Income Summary (Annual)

Appendix 7: Wisconsin Income Summary (Quarterly)

**ECONOMIC OUTLOOK - APPENDICES**

**APPENDIX 1  
U.S. ECONOMIC FORECAST  
GLOBAL INSIGHT**

	2001	2002	2003	2004	2005	2006	2007
<b>Real GDP and its Components (Billions of Chain Weighted 1996 Dollars)</b>							
GDP	9214.5	9425.5	9670.0	10070.0	10449.6	10819.5	11156.5
% Change	0.3	2.3	2.6	4.1	3.8	3.5	3.1
Consumption	6377.2	6563.5	6705.1	6946.3	7193.1	7459.5	7695.1
% Change	2.5	2.9	2.2	3.6	3.6	3.7	3.2
Investment (Incl. Inventory)	1574.6	1583.6	1645.2	1798.3	1927.0	2015.3	2086.0
% Change	-10.7	0.6	3.9	9.3	7.2	4.6	3.5
Nonresidential Structures	270.9	228.7	216.6	230.6	258.5	273.6	285.3
% Change	-1.7	-15.6	-5.3	6.4	12.1	5.9	4.3
Business Equipment	988.2	969.5	1035.7	1144.4	1246.9	1325.9	1395.9
% Change	-6.4	-1.9	6.8	10.5	9.0	6.3	5.3
Residential Fixed	373.5	385.9	379.9	388.4	399.6	402.9	407.4
% Change	0.3	3.3	-1.6	2.3	2.9	0.8	1.1
Inventory Change	-61.4	0.8	26.6	59.5	52.4	51.3	43.0
Exports	1076.1	1062.4	1118.3	1208.8	1313.2	1421.6	1528.4
% Change	-5.4	-1.3	5.3	8.1	8.6	8.3	7.5
Imports	1492.0	1540.7	1595.2	1700.4	1818.5	1932.5	2024.2
% Change	-2.9	3.3	3.5	6.6	6.9	6.3	4.7
Federal Government	570.6	610.4	648.2	661.1	665.1	669.9	674.9
% Change	4.8	7.0	6.2	2.0	0.6	0.7	0.8
State and Local Government	1069.4	1097.5	1102.4	1118.2	1137.7	1156.9	1173.5
% Change	3.1	2.6	0.4	1.4	1.7	1.7	1.4
GDP (Current Dollars)	10082.2	10434.0	10926.0	11649.7	12347.0	13027.6	13679.2
% Change	2.6	3.5	4.7	6.6	6.0	5.5	5.0

**Employment, Unemployment, Wages and Prices**

Nonfarm Employment (Millions)	131.9	130.8	132.0	135.3	137.6	139.3	140.9
% Change	0.2	-0.8	0.9	2.5	1.7	1.2	1.1
Unemployment Rate (%)	4.8	5.8	6.0	5.3	5.0	5.1	5.1
Compensation per Hour (% Change)	2.7	2.7	3.6	4.3	4.3	4.0	3.9
Consumer Price Index (% Change)	2.8	1.6	2.3	2.4	2.3	2.2	2.1
Producer Price Index (% Change)	1.1	-2.4	1.9	1.5	1.2	1.1	1.0
GDP Price Deflator (% Change)	2.4	1.2	2.1	2.4	2.1	1.9	1.8
Industrial Production (% Change)	-3.7	-0.4	3.7	6.5	5.6	4.5	3.6

**Financial Markets**

Money Supply (M2) (\$ Billions)	5,218.6	5,596.7	5,833.5	6,108.4	6,359.9	6,607.3	6,859.3
% Change	8.7	7.2	4.2	4.7	4.1	3.9	3.8
Prime Commercial Rate (%)	6.9	4.7	4.7	6.3	7.2	7.9	8.0
Three Month Treasury Bills (%)	3.4	1.6	1.7	3.1	3.9	4.6	4.6
Ten-Year Treasury Note Yield (%)	5.0	4.6	4.6	5.7	6.0	6.3	6.2
General Obligation AAA Municipals (%)	5.0	4.9	5.1	5.4	5.6	5.7	5.6
Thirty-Year Mortgage Rate (%)	7.0	6.6	6.5	7.2	7.5	7.7	7.6
S&P 500 Stock Index	1,192.1	994.3	993.5	1,134.6	1,285.8	1,389.8	1,493.7

**Income, Profits and Savings**

Personal Income (\$ Billions)	8,685.3	8,942.3	9,313.6	9,865.2	10,443.7	11,022.0	11,588.0
% Change	3.3	3.0	4.2	5.9	5.9	5.5	5.1
Personal Income (\$ 1996) (\$ Billions)	7,927.3	8,049.9	8,213.3	8,502.7	8,816.4	9,127.6	9,421.0
% Change	1.3	1.5	2.0	3.5	3.7	3.5	3.2
Savings Rate (%)	2.3	3.9	4.0	3.8	3.8	3.5	2.9
Corporate Profits Before Tax (\$ Billions)	731.6	779.3	832.0	853.3	878.6	922.6	955.7
% Change	-7.2	6.5	6.8	2.6	3.0	5.0	3.6

**ECONOMIC OUTLOOK - APPENDICES**

APPENDIX 2

**WISCONSIN EMPLOYMENT FORECAST: INDUSTRY DETAIL  
(THOUSANDS OF WORKERS)**

	History		Forecast					
	2000	2001	2002	2003	2004	2005	2006	2007
Mining	2.8	2.8	2.8	2.9	2.9	2.8	2.7	2.6
% Change	-0.6	0.0	1.2	4.6	-0.5	-3.3	-3.7	-3.2
Construction	124.2	122.5	123.4	124.5	128.9	134.4	139.0	142.4
% Change	2.4	-1.3	0.7	0.9	3.5	4.3	3.4	2.5
Durable Goods	375.4	354.1	337.8	331.7	338.2	347.2	352.4	356.4
% Change	-0.4	-5.7	-4.6	-1.8	2.0	2.6	1.5	1.1
Nondurable Goods	240.2	234.0	230.4	231.7	234.5	238.1	239.4	241.0
% Change	-0.2	-2.6	-1.5	0.6	1.2	1.5	0.6	0.7
Transportation and Utilities	133.5	133.9	131.3	134.7	140.3	144.0	146.6	149.9
% Change	1.9	0.3	-2.0	2.6	4.2	2.6	1.8	2.2
Wholesale Trade	138.6	137.5	137.2	139.1	144.6	146.8	147.6	148.5
% Change	1.1	-0.8	-0.2	1.4	3.9	1.6	0.5	0.6
Retail Trade	498.8	503.4	505.9	511.1	518.6	521.7	521.8	524.0
% Change	1.9	0.9	0.5	1.0	1.5	0.6	0.0	0.4
Finance, Ins. and Real Estate	148.1	150.1	153.1	157.8	163.9	169.2	171.1	171.7
% Change	1.5	1.4	2.0	3.1	3.8	3.2	1.2	0.4
Services	766.0	775.3	793.7	820.6	852.6	872.3	887.5	903.8
% Change	3.7	1.2	2.4	3.4	3.9	2.3	1.7	1.8
Government	405.7	413.8	414.8	415.9	419.4	423.7	427.0	428.2
% Change	1.6	2.0	0.3	0.3	0.8	1.0	0.8	0.3
Total Nonfarm	2833.3	2827.3	2830.4	2870.0	2943.8	3000.2	3035.3	3068.5
% Change	1.8	-0.2	0.1	1.4	2.6	1.9	1.2	1.1

Household Survey Employment Measures

Labor Force	2,934.8	3,053.2	3,065.8	3,103.5	3,146.7	3,192.7	3,230.7	3,263.6
% Change	1.6	4.0	0.4	1.2	1.4	1.5	1.2	1.0
Employment	2,830.8	2,921.5	2,906.4	2,932.2	2,996.5	3,051.9	3,087.0	3,119.7
% Change	1.0	3.2	-0.5	0.9	2.2	1.8	1.2	1.1
Unemployment Rate (%)	3.5	4.3	5.2	5.5	4.8	4.4	4.4	4.4

**ECONOMIC OUTLOOK - APPENDICES**

APPENDIX 3

**WISCONSIN EMPLOYMENT FORECAST: INDUSTRY DETAIL  
(THOUSANDS OF WORKERS)**

Quarterly Data (Seasonally Adjusted, % Change at an Annual Rate)

	History			Forecast				
	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Mining	2.7	2.8	2.8	2.8	2.9	2.9	2.9	2.9
% Change	0.0	5.0	4.9	4.6	8.8	3.6	0.4	-1.4
Construction	121.5	123.2	124.4	124.5	124.2	123.8	124.5	125.5
% Change	2.9	5.7	4.0	0.2	-0.7	-1.3	2.3	3.4
Durable Goods	338.8	338.1	338.8	335.4	333.3	331.3	330.4	331.7
% Change	-7.0	-0.8	0.8	-4.0	-2.4	-2.4	-1.1	1.6
Nondurable Goods	230.3	229.3	230.3	231.6	231.5	231.7	231.7	231.9
% Change	-3.8	-1.7	1.7	2.3	-0.3	0.4	0.0	0.5
Transportation and Utilities	132.1	130.8	131.2	131.0	132.6	133.9	135.3	137.0
% Change	-0.4	-3.7	1.2	-0.8	5.2	3.9	4.1	5.3
Wholesale Trade	137.3	137.9	136.8	136.8	137.5	138.3	139.5	141.2
% Change	0.0	2.0	-3.3	0.2	2.1	2.2	3.4	5.2
Retail Trade	504.4	505.2	506.4	507.7	508.7	509.9	511.2	514.5
% Change	0.7	0.6	1.0	1.1	0.8	1.0	1.0	2.6
Finance, Ins. and Real Estate	151.9	152.4	153.3	154.9	155.9	157.1	158.4	159.8
% Change	2.3	1.3	2.5	4.0	2.8	2.9	3.4	3.6
Services	780.6	791.0	798.6	804.7	811.0	815.9	823.1	832.5
% Change	2.8	5.4	3.9	3.1	3.2	2.5	3.6	4.6
Government	414.8	415.4	413.9	415.1	414.6	415.0	416.1	417.7
% Change	-2.1	0.5	-1.4	1.2	-0.5	0.4	1.1	1.5
Total Nonfarm	2814.4	2826.1	2836.5	2844.5	2852.3	2859.8	2873.1	2894.9
% Change	-0.4	1.7	1.5	1.1	1.1	1.1	1.9	3.1

Household Survey Employment Measures

Labor Force	3,065.6	3,055.3	3,060.5	3,081.9	3,090.7	3,101.0	3,106.7	3,115.5
% Change	1.0	-1.3	0.7	2.8	1.2	1.3	0.7	1.1
Employment	2,904.6	2,903.2	2,904.8	2,912.9	2,918.8	2,922.8	2,933.8	2,953.2
% Change	-0.9	-0.2	0.2	1.1	0.8	0.6	1.5	2.7
Unemployment Rate (%)	5.3	5.0	5.1	5.5	5.6	5.7	5.6	5.2

**ECONOMIC OUTLOOK - APPENDICES**

APPENDIX 4

WISCONSIN MANUFACTURING EMPLOYMENT FORECAST: INDUSTRY DETAIL  
(THOUSANDS OF WORKERS)

	History		Forecast					
	2000	2001	2002	2003	2004	2005	2006	2007
All Manufacturing	615.6	588.1	568.2	563.4	572.7	585.2	591.9	597.4
% Change	-0.3	-4.5	-3.4	-0.8	1.7	2.2	1.1	0.9
Durables	375.4	354.1	337.8	331.7	338.2	347.2	352.4	356.4
% Change	-0.4	-5.7	-4.6	-1.8	2.0	2.6	1.5	1.1
Lumber Products	32.3	32.1	32.2	31.5	31.8	32.6	33.4	34.3
% Change	-0.3	-0.5	0.2	-2.1	0.9	2.6	2.5	2.8
Furniture	18.7	18.7	19.5	19.9	20.8	21.5	21.9	22.2
% Change	4.8	0.4	4.2	2.0	4.2	3.6	1.9	1.6
Stone, Clay, Glass	11.5	11.3	11.4	11.3	11.3	11.4	11.4	11.5
% Change	1.2	-1.6	1.1	-0.8	-0.4	0.7	0.3	0.7
Primary Metals	26.1	23.8	22.5	22.7	23.0	23.6	23.6	23.7
% Change	0.2	-8.9	-5.6	0.7	1.7	2.3	0.3	0.3
Fabricated Metals	67.8	63.9	61.8	61.5	62.8	63.7	63.9	64.2
% Change	-0.3	-5.8	-3.3	-0.5	2.2	1.3	0.3	0.4
Industrial Mach.	109.4	102.0	94.8	93.5	97.8	101.7	103.6	104.9
% Change	-2.3	-6.7	-7.1	-1.3	4.5	4.1	1.8	1.2
Electrical Mach.	46.7	42.9	37.6	33.4	32.5	33.5	35.2	36.1
% Change	0.2	-8.1	-12.3	-11.2	-2.8	3.1	5.2	2.4
Trans. Equipment	34.2	30.9	29.7	29.5	29.3	29.4	29.2	29.2
% Change	1.8	-9.8	-4.0	-0.4	-0.7	0.4	-0.8	0.0
Instruments	17.7	17.5	17.5	17.6	18.0	18.5	18.7	18.7
% Change	-0.7	-0.9	-0.2	0.6	2.2	3.0	1.0	-0.1
Miscellaneous	11.1	11.0	10.9	10.7	11.0	11.2	11.4	11.6
% Change	-2.7	-0.7	-1.2	-1.3	2.1	2.5	1.6	1.6
Nondurables	240.2	234.0	230.4	231.7	234.5	238.1	239.4	241.0
% Change	-0.2	-2.6	-1.5	0.6	1.2	1.5	0.6	0.7
Food Products	67.1	67.0	67.5	68.4	69.5	70.5	70.4	70.3
% Change	1.8	-0.2	0.8	1.3	1.5	1.5	-0.2	-0.2
Textiles	2.4	2.3	2.3	2.2	2.1	2.0	1.9	1.9
% Change	-9.4	-4.5	0.3	-2.3	-5.3	-4.3	-4.9	-4.1
Apparel	5.8	5.7	5.4	5.3	5.2	5.0	4.9	4.7
% Change	-2.1	-2.3	-4.4	-3.1	-1.9	-2.4	-3.5	-4.1
Paper Products	52.3	51.1	50.4	50.6	51.0	51.7	52.0	52.5
% Change	-0.9	-2.2	-1.4	0.4	0.8	1.2	0.6	0.9
Printing, Publish	54.7	53.1	51.3	51.3	52.6	54.2	55.3	56.4
% Change	-1.2	-2.9	-3.5	0.2	2.5	3.0	2.1	2.0
Chemical Products	14.8	15.0	15.1	14.6	14.2	14.0	13.8	13.6
% Change	0.7	1.2	0.8	-3.5	-2.8	-1.6	-1.2	-1.2
Rubber, Plastics	39.2	36.4	35.4	36.5	37.3	38.1	38.7	39.3
% Change	0.8	-7.1	-2.8	2.9	2.2	2.2	1.5	1.6
Leather Goods	3.5	3.0	2.6	2.5	2.3	2.3	2.2	2.2
% Change	-13.8	-15.5	-12.5	-3.4	-6.2	-1.9	-2.8	-2.6
Other Nondurables	0.4	0.4	0.3	0.2	0.2	0.2	0.3	0.3
% Change	20.5	-13.2	-12.9	-28.6	1.9	2.1	1.5	1.0

**ECONOMIC OUTLOOK - APPENDICES**

APPENDIX 5

**WISCONSIN MANUFACTURING EMPLOYMENT FORECAST: INDUSTRY DETAIL**  
(THOUSANDS OF WORKERS)

Quarterly Data (Seasonally Adjusted, % Change at an Annual Rate)

	History			Forecast				
	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
All Manufacturing	569.1	567.5	569.1	567.0	564.8	563.0	562.0	563.6
% Change	-5.7	-1.1	1.2	-1.5	-1.6	-1.3	-0.7	1.1
Durables	338.8	338.1	338.8	335.4	333.3	331.3	330.4	331.7
% Change	-7.0	-0.8	0.8	-4.0	-2.4	-2.4	-1.1	1.6
Lumber Products	32.1	32.0	32.4	32.0	31.9	31.6	31.3	31.2
% Change	0.0	-1.2	4.7	-4.4	-1.4	-4.0	-4.1	-1.2
Furniture	19.2	19.5	19.9	19.6	19.7	19.9	19.9	20.1
% Change	3.6	7.1	7.7	-6.1	3.9	2.4	1.2	4.3
Stone, Clay, Glass	11.4	11.4	11.5	11.5	11.4	11.4	11.3	11.3
% Change	1.2	2.4	1.2	1.7	-2.8	-2.5	-1.9	-0.6
Primary Metals	22.3	22.4	22.7	22.5	22.6	22.6	22.7	22.8
% Change	-10.1	1.8	4.8	-3.4	1.2	1.2	0.6	1.7
Fabricated Metals	61.7	61.6	62.2	61.6	61.4	61.3	61.4	61.7
% Change	-4.2	-0.2	3.7	-4.0	-1.0	-0.6	0.4	2.2
Industrial Mach.	95.9	95.4	94.2	93.6	93.0	93.0	93.6	94.5
% Change	-11.8	-1.9	-4.9	-2.4	-2.7	0.2	2.5	4.1
Electrical Mach.	38.6	37.9	37.5	36.5	35.2	33.6	32.5	32.3
% Change	-14.4	-7.1	-3.8	-10.6	-12.8	-17.7	-12.3	-2.4
Trans. Equipment	29.2	29.4	30.1	29.9	29.7	29.6	29.4	29.3
% Change	-3.1	3.7	9.9	-3.4	-1.9	-1.6	-2.6	-1.2
Instruments	17.5	17.5	17.5	17.4	17.5	17.6	17.6	17.7
% Change	-1.5	0.0	-0.8	-1.3	2.2	1.0	0.4	1.6
Miscellaneous	11.0	10.9	10.9	10.8	10.7	10.7	10.7	10.8
% Change	-9.1	-4.8	0.0	-2.2	-2.8	-0.2	-0.4	3.0
Nondurables	230.3	229.3	230.3	231.6	231.5	231.7	231.7	231.9
% Change	-3.8	-1.7	1.7	2.3	-0.3	0.4	0.0	0.5
Food Products	67.4	67.7	67.1	67.9	68.1	68.4	68.6	68.6
% Change	0.2	2.0	-3.5	4.8	1.0	1.8	1.0	0.5
Textiles	2.3	2.3	2.3	2.3	2.3	2.3	2.2	2.2
% Change	5.9	-10.9	6.0	-1.1	-2.3	-2.8	-5.3	-5.6
Apparel	5.6	5.4	5.4	5.3	5.3	5.3	5.2	5.1
% Change	-2.4	-9.2	0.0	-9.4	3.7	-2.6	-5.6	-6.6
Paper Products	50.3	50.3	50.3	50.7	50.7	50.6	50.5	50.6
% Change	-5.1	0.3	-0.5	3.3	-0.1	-0.4	-0.6	0.6
Printing, Publish	51.5	51.0	51.2	51.3	51.1	51.2	51.4	51.6
% Change	-4.8	-4.1	1.6	0.8	-1.2	0.8	0.8	2.0
Chemical Products	15.5	15.1	15.0	15.0	14.8	14.7	14.5	14.4
% Change	1.7	-10.0	-2.6	1.0	-5.5	-3.2	-4.1	-3.2
Rubber, Plastics	34.8	34.6	36.2	36.2	36.3	36.4	36.5	36.7
% Change	-10.7	-2.3	20.3	0.2	1.0	1.1	1.3	1.6
Leather Goods	2.5	2.5	2.6	2.7	2.6	2.5	2.5	2.4
% Change	-22.5	0.0	10.9	14.5	-11.4	-11.0	-11.0	-9.6
Other Nondurables	0.4	0.4	0.2	0.2	0.2	0.2	0.2	0.2
% Change	335.3	0.0	-91.6	5.1	3.3	0.8	-0.6	1.2

**ECONOMIC OUTLOOK - APPENDICES**

APPENDIX 6

**WISCONSIN INCOME SUMMARY  
COMPONENTS OF PERSONAL INCOME  
(\$ Billions)**

	History		Forecast					
	2000	2001	2002	2003	2004	2005	2006	2007
Wages and Salaries	87.895	89.663	92.207	95.836	102.047	107.781	112.663	117.475
% Change	5.4	2.0	2.8	3.9	6.5	5.6	4.5	4.3
Other Labor Income	10.036	10.515	11.367	12.078	12.641	13.172	13.604	14.058
% Change	5.1	4.8	8.1	6.3	4.7	4.2	3.3	3.3
Proprietor's Income	8.748	9.107	9.164	9.879	10.284	10.619	10.867	11.125
% Change	-1.1	4.1	0.6	7.8	4.1	3.3	2.3	2.4
Rental Income	2.482	2.324	2.496	2.700	2.906	3.083	3.238	3.379
% Change	-4.7	-6.3	7.4	8.1	7.6	6.1	5.0	4.4
Personal Dividend Income	7.941	8.640	9.168	9.782	10.100	10.571	11.374	11.950
% Change	15.6	8.8	6.1	6.7	3.2	4.7	7.6	5.1
Personal Interest Income	20.905	21.084	20.804	20.775	21.911	23.642	25.611	27.366
% Change	11.3	0.9	-1.3	-0.1	5.5	7.9	8.3	6.9
Transfer Payments	18.824	20.855	22.771	23.343	23.814	24.654	25.767	27.030
% Change	6.5	10.8	9.2	2.5	2.0	3.5	4.5	4.9
Residence Adjustment	2.687	2.727	2.731	2.903	3.165	3.432	3.697	3.980
% Change	8.3	1.5	0.1	6.3	9.0	8.4	7.7	7.7
Contributions to Social Ins.	6.565	6.800	7.124	7.389	7.836	8.235	8.573	8.907
% Change	3.6	3.6	4.8	3.7	6.0	5.1	4.1	3.9
Total Personal Income	152.953	158.116	163.514	169.908	179.032	188.719	198.247	207.455
% Change	6.3	3.4	3.4	3.9	5.4	5.4	5.0	4.6
Personal Tax & Nontax Payments	23.590	23.163	20.607	21.005	22.310	23.447	24.815	27.031
% Change	8.8	-1.8	-11.0	1.9	6.2	5.1	5.8	8.9
Disposable Personal Income	129.363	134.953	142.907	148.903	156.722	165.272	173.432	180.424
% Change	5.9	4.3	5.9	4.2	5.3	5.5	4.9	4.0

Related Income Measures

Personal Income (1996 \$) (\$ Billions)	142.423	144.316	147.196	149.836	154.306	159.313	164.174	168.662
% Change	3.7	1.3	2.0	1.8	3.0	3.2	3.1	2.7
Per Capita Income (1996 \$)	26,532	26,718	27,084	27,401	28,047	28,782	29,482	30,106
% Change	3.1	0.7	1.4	1.2	2.4	2.6	2.4	2.1
Per Capita Income (\$)	28,494	29,273	30,086	31,071	32,541	34,094	35,601	37,031
% Change	5.7	2.7	2.8	3.3	4.7	4.8	4.4	4.0
Per Capita Income as a Percent of U.S.	95.8	96.2	96.9	96.9	96.7	96.5	96.3	96.0

**ECONOMIC OUTLOOK - APPENDICES**

APPENDIX 7

**WISCONSIN INCOME SUMMARY**  
**COMPONENTS OF PERSONAL INCOME (\$ Billions)**  
 Quarterly Data (Seasonally Adjusted, % Change at an Annual Rate)

	History		Forecast					
	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Wages and Salaries	91.039	92.210	92.420	93.160	94.100	95.062	96.270	97.912
% Change	6.3	5.2	0.9	3.2	4.1	4.2	5.2	7.0
Other Labor Income	10.999	11.290	11.464	11.717	11.844	11.987	12.163	12.319
% Change	13.6	11.0	6.3	9.1	4.4	4.9	6.0	5.2
Proprietor's Income	8.941	8.543	9.594	9.578	9.695	9.793	9.920	10.109
% Change	-10.3	-16.7	59.1	-0.7	5.0	4.1	5.3	7.8
Rental Income	2.373	2.642	2.483	2.487	2.611	2.678	2.722	2.787
% Change	5.3	53.7	-21.9	0.5	21.6	10.6	6.8	9.9
Personal Dividend Income	8.939	9.092	9.253	9.387	9.542	9.743	9.904	9.940
% Change	7.0	7.1	7.3	5.9	6.8	8.7	6.8	1.5
Personal Interest Income	20.679	20.903	20.904	20.732	20.682	20.701	20.759	20.957
% Change	0.0	4.4	0.0	-3.2	-1.0	0.4	1.1	3.9
Transfer Payments	22.394	22.952	22.782	22.957	23.224	23.306	23.415	23.428
% Change	19.3	10.3	-2.9	3.1	4.7	1.4	1.9	0.2
Residence Adjustment	2.706	2.721	2.726	2.771	2.820	2.871	2.928	2.994
% Change	0.4	2.2	0.8	6.7	7.4	7.4	8.1	9.4
Contributions to Social Ins.	7.044	7.136	7.148	7.169	7.266	7.332	7.416	7.542
% Change	12.9	5.3	0.7	1.2	5.6	3.6	4.7	7.0
Total Personal Income	160.942	163.018	164.478	165.619	167.252	168.809	170.666	172.905
% Change	6.0	5.3	3.6	2.8	4.0	3.8	4.5	5.4
Personal Tax & Nontax Payments	20.786	20.667	20.503	20.471	20.563	20.752	21.155	21.551
% Change	-35.2	-2.3	-3.1	-0.6	1.8	3.7	8.0	7.7
Disposable Personal Income	140.156	142.351	143.975	145.148	146.690	148.057	149.511	151.354
% Change	14.6	6.4	4.6	3.3	4.3	3.8	4.0	5.0

Related Income Measures

Personal Income (1996 \$) (\$ Billions)	146.125	147.011	147.648	148.001	148.770	149.379	150.067	151.126
% Change	4.9	2.4	1.7	1.0	2.1	1.6	1.9	2.9
Per Capita Income (1996 \$)	26,949	27,071	27,146	27,169	27,269	27,338	27,422	27,573
% Change	4.2	1.8	1.1	0.3	1.5	1.0	1.2	2.2
Per Capita Income (\$)	29,681	30,018	30,241	30,403	30,656	30,894	31,186	31,547
% Change	5.4	4.6	3.0	2.2	3.4	3.1	3.8	4.7
Per Capita Income as Percent of U.S. (%)	96.8	96.9	96.9	97.0	97.0	96.9	96.9	96.9

## II. REVENUE COLLECTIONS REPORT AND REVENUE ESTIMATES

### REVENUE COLLECTIONS THROUGH OCTOBER 2002; REVISED ESTIMATES FOR FISCAL YEAR 2002-2003 AND ESTIMATES FOR THE 2003-2005 BIENNIUM

#### Introduction

Based on the current economic forecast and recent collection experience, the Department of Revenue (DOR) estimates that state General Purpose Revenue (GPR) tax collections in fiscal year (FY) 2003 will increase 3.8% relative to FY 2002 to \$10.40 billion. This estimate is \$114 million (1.1%) lower than the Legislative Fiscal Bureau (LFB) estimate for FY 2003 collections issued January 2002.

It is estimated that GPR tax collections will increase 5.3% in FY 2004 to \$10.96 billion and 5.8% in FY 2005 to \$11.60 billion.

GPR tax collections by DOR during the first four months of FY 2003 increased 3.1% over the comparable period of FY 2002 from \$2.647 billion to \$2.728 billion. During this period, individual income tax receipts increased 1.1% to \$1.450 billion, sales tax revenue increased 6.4% to \$978 million, and corporate collections decreased 10.9% to \$130 million.

Table II.1 provides the revised revenue estimates for FY 2003 and the estimates for the 2003-2005 biennium. Table II.2 compares the current Department of Revenue estimates for FY 2003 with the Legislative Fiscal Bureau's January estimates. Table II.3 compares actual collections for the first four months of FY 2003 with the comparable period of FY 2002.

#### Individual Income Tax

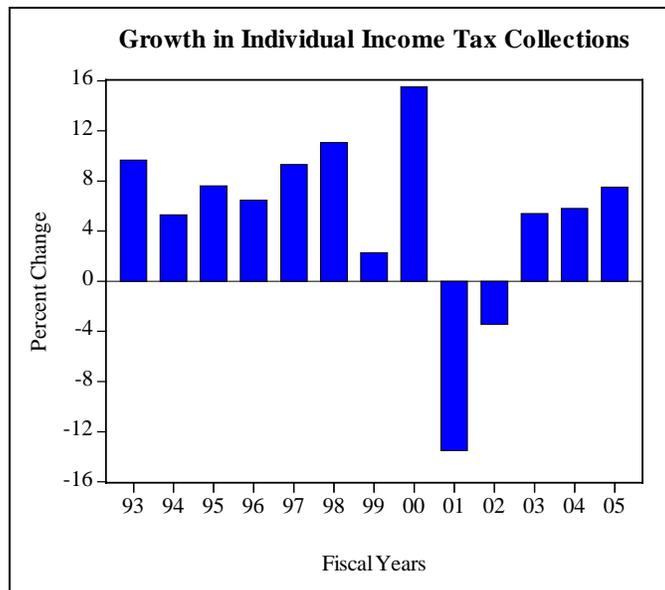
It is estimated that individual income tax revenue will increase 5.4% from \$4.98 billion in FY 2002 to \$5.25 billion in FY 2003. The FY 2003 estimate is \$62.8 million (1.2%) lower than the LFB estimate of \$5.31 billion.

Individual income tax collections during the first four months of FY 2003, increased 1.1% to \$1.450 billion from \$1.434 billion in FY 2002. Through October, withholding payments, the largest source of payments, were up 3.2% as compared to a year ago. Estimated payments due in September were, however, below last September's level, and collections from this source, through October were 8.0% below last year's level. The forecast for the remainder of FY 2003 anticipates some acceleration in collections from both of these sources.

Income tax revenue is expected to increase 5.8% to \$5.55 billion in FY 2004 and 7.5% to \$5.97 billion in FY 2005. The forecast anticipates a period of more normal growth, both from the point of view of the Wisconsin economy, which is forecast to recover over this period, and from the point of view of individual income tax law, although growth will be slower than in the past due to indexing. Significant tax law changes have affected each of the last four fiscal years, with tax cuts in FY 1999, FY 2001 and FY 2002 and a tax increase in FY 2000 (see Chart II.1).

## REVENUE COLLECTIONS REPORT

CHART II.1

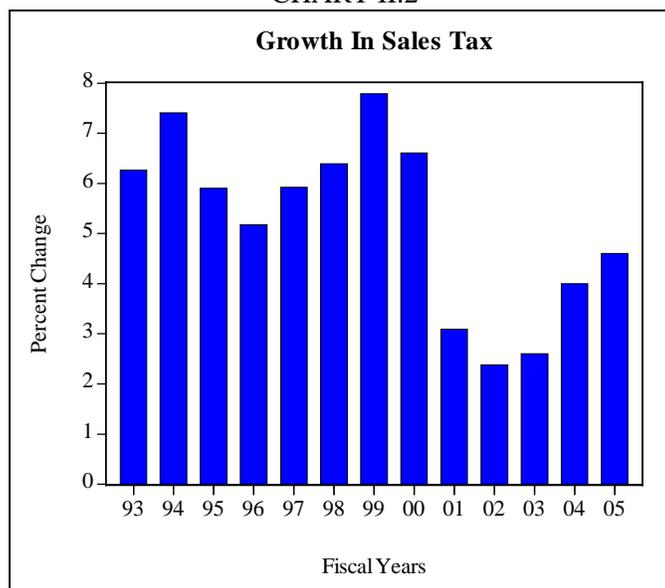


### General Sales and Use Tax

Sales tax collections for the first four months of FY 2003 increased 6.4% over the comparable period of FY 2002 from \$919 million to \$978 million. This robust growth was due in part to model year-end auto sales and shifts in the timing of collections. A significant deceleration is expected in the next few quarters.

It is estimated that sales tax collections in FY 2003 will increase 2.6% from \$3.70 billion in FY 2002 to \$3.79 billion. This is \$36.8 million (1.0)% lower than the LFB estimate. The estimate for FY 2004 is \$3.94 billion (4.0% over FY 2003). The estimate for FY 2005 is \$4.13 billion (4.6% over FY 2004). The growth rates for FY 2004 and FY 2005 are higher than the most recent two years, which were affected by the recent economic downturn, but do not approach the boom levels experienced during the late 1990's (see Chart II.2).

CHART II.2



## REVENUE COLLECTIONS REPORT

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### **Corporation Franchise and Income Tax**

Corporate collections in FY 2003 are expected to increase 1.2% from \$503 million in FY 2002 to \$509 million. This estimate is \$26 million (4.8%) below the LFB estimate of \$539 million. Collections are expected to increase to \$547 million (7.4%) in FY 2004 and increase to \$566 million (3.5%) in FY 2005. For the first four months of FY 2003, collections decreased 10.9% from \$146 million to \$130 million.

### **Public Utility Taxes**

Utility taxes are expected to increase 3.2% from \$252 million in FY 2002 to \$260 million in FY 2003. This new estimate is \$3 million, or 1.1%, higher than the LFB estimate. Revenues are forecast to increase by 4.6% in FY 2004 to \$260 million and by 3.9% in FY 2005 to \$283 million.

Since most utility taxes are collected in May and November, the increase in collections for the first four months of FY 2003 is not meaningful.

### **Excise Taxes**

Cigarette tax collections are estimated to increase 1.2% in FY 2003 from \$289 million to \$292 million. The new estimate is \$12.3 million lower than the LFB January number. It is estimated that collections will remain stable at about \$292 million in FY 2004 and \$291 million in FY 2005.

Collections during the first four months of FY 2003 increased 19.4% from the comparable period of FY 2002, from \$67.5 million to \$80.6 million. This increase is less than what might be expected from the 30% increase in the cigarette tax from \$0.59 per pack to \$0.77 per pack. Taxed consumption of cigarettes appears to have declined 8.5% during the first four months of FY 2003.

Liquor and wine tax collections were \$36.0 million in FY 2002 and are expected to be \$36.3 million, \$37.2 million and \$38.6 million for the three fiscal years in the forecast period. The FY 2003 number is not significantly different than the amount estimated by LFB in January. Collections increased 5.3% for the first four months of FY 2003 from \$8.1 million to \$8.6 million.

Beer tax collections were \$9.6 million in FY 2002 and are estimated to remain near or at \$9.6 million for each of the next fiscal three years. Collections through October have increased 1.5% from \$2.56 million to \$2.60 million.

Tobacco products tax collections are estimated to increase from \$13.9 million in FY 2002 to \$16.2 million in FY 2003, \$16.9 million in FY 2004 and \$18.0 million in FY 2005. The FY 2003 estimate is \$0.7 million higher than the LFB January estimate. Collections through October have increased 45.5% from \$3.1 million to \$4.5 million. Much of the increase is attributable to the increase in the tax rate from 20% to 25% that took effect October 1, 2001.

### **Estate Taxes**

Wisconsin's estate tax equals the credit allowed against federal estate tax liability for state inheritance or estate (death) taxes. Collections from this tax source are highly volatile and affected by law changes. Collections will decline in FY 2003 as a result of a federal law change that began to phase out the federal credit for state death taxes beginning January 1, 2002, but will rebound in FY 2004 because Wisconsin imposed an estate tax independent of the credit allowed under federal law.

Presently it is estimated that collections will decline from \$82.6 million in FY 2002 to \$74 million in FY 2003, \$7 million higher than the amount estimated in January by LFB. Estate tax revenues are expected to increase 60% to \$118 million in FY 2004 and 6.5% to \$126 million in FY 2005.

## REVENUE COLLECTIONS REPORT

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Collections during the first four months of FY 2003 have increased 1.6% from \$31.5 million to \$32.0 million.

### **Insurance Company Taxes**

Insurance company taxes are estimated to increase to \$97 million in FY 2003 followed by increases to \$98 million in FY 2004, and \$99 million in FY 2005. The FY 2003 estimate is \$7 million above the LFB January estimate.

### **Miscellaneous Taxes**

Miscellaneous taxes (largely the real estate transfer fee) are estimated to increase from \$62.5 million in FY 2002 to \$65 million in FY 2003, \$67 million in FY 2004 and \$69 million in FY 2005. The estimate for FY 2003 is \$5.4 million above the LFB's January number. Through October, real estate transfer fee collections have increased 10.3% from \$14.1 million to \$15.6 million.

**REVENUE COLLECTIONS REPORT**

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TABLE II.1  
GENERAL PURPOSE TAX REVENUE ESTIMATES FOR 2002-2003  
AND THE 2003-2005 BIENNIUM

Tax	Actual	DOR (November 2002 )			Percent Change		
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2003	FY 2004	FY 2005
Individual Income	4,979.7	5,247.8	5,553.5	5,969.7	5.4	5.8	7.5
General Sales and Use	3,695.8	3,793.4	3,944.4	4,126.5	2.6	4.0	4.6
Corporate Income/Franchise	503.0	509.1	546.9	565.8	1.2	7.4	3.5
Public Utility	252.2	260.3	272.3	282.9	3.2	4.6	3.9
Excise Taxes							
Cigarette	288.8	292.3	291.9	291.3	1.2	-0.1	-0.2
Liquor and Wine	36.0	36.3	37.2	38.6	0.9	2.4	3.8
Beer	9.6	9.5	9.6	9.6	-0.6	0.1	0.2
Tobacco Products	13.9	16.2	16.9	18.0	16.3	4.2	6.5
Estate	82.6	74.0	118.6	126.3	-10.4	60.1	6.5
Insurance	96.1	97.0	98.0	99.0	1.0	1.0	1.0
Miscellaneous	62.5	65.0	67.2	69.5	4.0	3.4	3.4
Total	10,020.2	10,400.9	10,956.4	11,597.0	3.8	5.3	5.8

Note: Detail may not add to totals because of rounding, and percent changes were calculated before rounding.

**REVENUE COLLECTIONS REPORT**

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TABLE II.2  
 GENERAL PURPOSE TAX REVENUE ESTIMATES FOR FY 2003  
 LEGISLATIVE FISCAL BUREAU (LFB) AND DEPARTMENT OF REVENUE (DOR)  
 (\$ Millions)

Tax	FY 2003 Estimates		Difference	Percent Difference
	LFB Jan 2002	DOR Nov 2002		
Individual Income	5,310.6	5,247.8	-62.8	-1.2
General Sales and Use	3,830.2	3,793.4	-36.8	-1.0
Corporate Income/Franchise	535.0	509.1	-25.9	-4.8
Public Utility	257.4	260.3	2.9	1.1
Excise Taxes				
Cigarette	304.6	292.3	-12.3	-4.1
Liquor and Wine	36.2	36.3	0.1	0.3
Beer	9.4	9.5	0.1	1.5
Tobacco Products	15.5	16.2	0.7	4.5
Estate	67.0	74.0	7.0	10.5
Insurance	90.0	97.0	7.0	7.8
Miscellaneous	59.6	65.0	5.4	9.1
<b>TOTAL</b>	<b>10,515.5</b>	<b>10,400.9</b>	<b>-114.6</b>	<b>-1.1</b>

Note: Detail may not add to totals because of rounding and percent changes were calculated before rounding.

**REVENUE COLLECTIONS REPORT**

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TABLE II.3  
COMPARISON OF JULY - OCTOBER DEPARTMENT OF REVENUE  
ACTUAL TAX RECEIPTS  
(\$ Millions)

Tax Source	First Four Months Of:		% Change
	FY 2002	FY 2003	
Individual Income	1,433.829	1,450.124	1.1
General Sales and Use	918.889	977.902	6.4
Corporation Franchise & Income	145.742	129.785	-10.9
Excise			
Cigarette	67.509	80.576	19.4
Liquor	8.142	8.573	5.3
Beer	2.564	2.604	1.5
Tobacco Products	3.101	4.512	45.5
Inheritance, Estate & Gift	31.474	31.991	1.6
Public Utility	0.613	0.882	43.9
Insurance	20.939	25.303	20.8
Real Estate Transfer	14.110	15.557	10.3
<b>TOTAL</b>	<b>2,646.912</b>	<b>2,727.808</b>	<b>3.1</b>

Note: Detail may not add to totals because of rounding, and percent changes were calculated before rounding.